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HB 132 would expedite payment of Phase II funds

In Thursday, Feb. 10, 2005 issue

Tobacco farmers in Clinton County and throughout the state of Kentucky may finally be getting the Phase II tobacco money they were promised.

On February 2, 2005, the House budget committee passed a bill that could result in Kentucky tobacco farmers receiving the nearly \$124 million in direct payments from tobacco companies.

Under a 1999 settlement trust agreement with tobacco states, tobacco companies were required to make Phase II payments totaling \$124 million to Kentucky last December.

Phase II was a trust funded by money from tobacco companies which was paid directly to the tobacco farmer. Quota owners received payments based on their previous year's quota. Tobacco growers received payments based on the amount of tobacco they grew in 1998, 1999, and 2000.

There was another portion to the Phase II settlement known as Phase I, which used money from the tobacco companies to find new agriculture diversification programs.

One such program in Kentucky is the bull program. With this program farmers buy bulls that meet certain criteria, and the Phase I program will reimburse them up to \$750. The program is geared to make herds weigh more, and be more genetically sound, which will yield more money at the market.

In January, a North Carolina judge ruled that the federal tobacco buyout, which the President signed into law last October, alleviated tobacco companies of that responsibility. The ruling is now being

appealed to the North Carolina Supreme Court.

The bill which unanimously passed the House Appropriations and Revenue Committee 82-0 is known as House Bill 132. This bill would use agriculture money from Kentucky's Phase I master tobacco settlement and bond funds to make payments totaling \$114 million to 163,000 Kentucky tobacco farmers and quota holders.

If the bill passes, the process will be expedited under an emergency clause which would require the payments to be made soon after the legislation is signed into law.

"We could get them out quickly, hopefully, April or May," House Representative Mike Denham, a co-sponsor of House Bill 132 told the House Appropriations and Revenue Committee.

Representative Rob Wilkey stated that House Bill 132 fulfills the legal obligation Kentucky has made to its farmers. He also said the state is required by law to use Phase I funds to cover Phase II payments up to \$114 million. The legislation "will keep a commitment that we've made to the farmers in the state," Wilkey said.

House Bill 132 will now go to the full House for its consideration.

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